



CITY OF SAN ANTONIO

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August 31, 2005

Phil Hardberger
Mayor

Roger O. Flores
Councilman, District 1

Sheila D. McNeil
Councilwoman, District 2

Roland Gutierrez
Councilman, District 3

Richard Perez
Councilman, District 4

Patti Radle
Councilwoman, District 5

Delicia Herrera
Councilwoman, District 6

Elena Guajardo
Councilwoman, District 7

Art A. Hall
Councilman, District 8

Kevin Wolff
Councilman, District 9

Chip Haass
Councilman, District 10

J. Rolando Bono
City Manager

Ladies and Gentlemen:

RE: Final Audit Report – 2005 and 2006 Projected Budgets for Metropolitan Partnership for Energy

In July 2005, Internal Audit began a review of the 2005 and 2006 Projected Budgets for Metropolitan Partnership for Energy (MPE). MPE was created through a collaboration of the City of San Antonio, City Public Service (CPS) Energy, Bexar County, San Antonio Water System, Alamo Area Council of Governments, VIA Metropolitan Transit, Greater Bexar County Council of Cities, and Solar San Antonio. MPE helps its partners develop and implement energy and emissions reduction policies and public awareness programs.

The 2004 contract between the City and MPE designates COSA's Environmental Services Department (ESD) to evaluate MPE's performance in assisting the City with statutory and/or regulatory energy conservation requirements. The City of San Antonio has provided \$300,000 in funding to MPE over the past three years, through June 2004.

During the review, the scope of the audit was expanded to include the performance of a trend analysis of prior years' financial statements and verification of MPE's compliance with 2004 contract deliverables. Fieldwork for this engagement was considered complete in early August 2005. This was followed by a meeting with members from the MPE and City ESD in August 2005 to discuss issues identified in the audit. Subsequently, MPE provided additional information that clarified various issues and observations.

Overall, the audit indicates that MPE's management and internal controls should be improved.

- Contracts with the City should be completed more timely.
- Proposed forecasts or budgets should be verified for accurate and reliable information.
- Cash reserves appear high without a specific plan for its use.

MPE has an interim director who has begun to implement changes to address various issues identified during the audit.

In addition, the City's contracting process needs to be tightened. Contracts for professional services should indicate specific deliverables and the timing for them in relation to any payment for services. The contract documents for professional consulting services should be prepared and signed prior to the work being performed and any related payments. MPE uses a calendar year for its budget and financial planning while the City uses a fiscal year ending in September. Commitments between the City and MPE for calendar year 2005 have not been contractually formalized as of August. The operating budget under consideration for 2006 should be evaluated using MPE's services so that required documents can be prepared prior to January.

The Mayor and City Council should know that MPE Management and City Staff cooperated fully on this project. The report includes their responses which were viewed as positive commitments to implement process changes and improvements.

The Internal Audit Department is available to discuss the details of this report with you at your individual convenience. We appreciated being able to perform this audit and to offer recommendations that can make a difference in the future.

Sincerely,



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City Internal Auditor
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cc: Martha Sepeda, Acting City Attorney
Leticia Vacek, City Clerk
Melissa Byrne Vossmer, Assistant City Manager
Erik Walsh, Assistant to the City Manager
Dan Cardenas, Environmental Services Department Director
Central Library Branch